CALIFORNIA
Economic Indicators

May–June 2006

Recovery From a Wet Spring

California bounced back from unseasonably wet weather with renewed job growth in May.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Nonfarm payroll employment rebounded in California in May after falling in March and April. Heavy rains in early March and early April likely hampered construction activity and played a role in the job declines in those two months. May brought better weather and a boost in construction employment. The rebound, though, was not enough to pin the blame for the earlier declines solely on rainy weather. Rather, it looks like the general slowing in the state's housing sector that has been going on for almost a year is now affecting job growth.

Employment

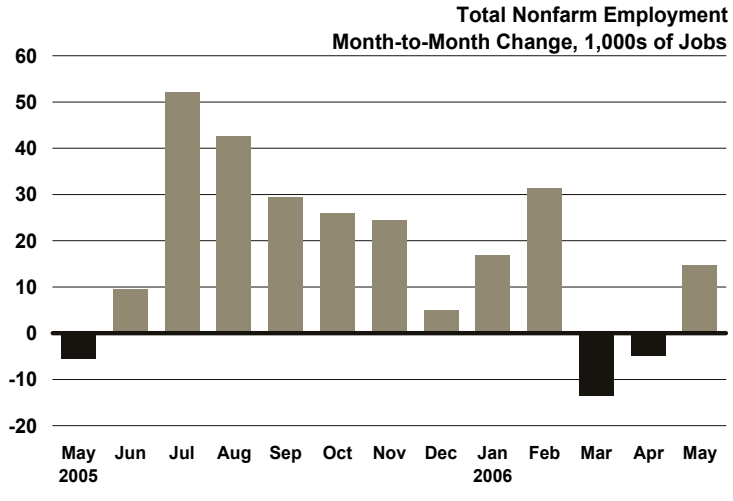
After nine consecutive gains in nonfarm payroll employment, California lost a total of 18,200 jobs in March and April, with construction accounting for 17,300 of them. May, however, brought dry weather and a 14,800-job gain, spread over a broad sweep of industries, including construction. The state accounted for about 20 percent of the national job gain in May—much more than its share—but the nation's gain was widely considered disappointing.

Eight of the California's 11 major industry sectors gained jobs in May. Educational and health services led the way with a gain of 5,300 jobs. Construction added 3,700, information, 2,900, government, 2,700, manufacturing, 2,000, other services, 1,600, trade transportation and utilities, 600, and financial activities, 500. The leisure and hospitality sector had the largest job loss, 3,200. Professional and business services lost 900 and natural resources and mining, 400.

Over the 12 months from May 2005 to May 2006, California nonfarm payroll employment grew by 233,700 jobs, or 1.6 percent, as compared to 1.4 percent in the nation. Nine of California's major industry sectors gained jobs over the 12 months ending in May 2006. Professional and business services added 63,200, leisure and hospitality, 39,100, educational and health services, 29,400, trade, transportation, and utilities, 28,400, construction, 25,800, government, 21,900, financial activities 19,100, other services, 9,900, and natural resources and mining, 700. Manufacturing and information both lost 1,900 jobs in the last twelve months.

FIGURE 1

Labor Market Slows in the Spring



Within the trade, transportation, and utilities sector, retail trade gained just 5,300 jobs in May, its smallest May job gain in 13 years. The retail trade industries that had the weakest hiring in May 2006 in comparison to the average May gain over the previous seven years were general merchandise stores, building material and garden equipment stores, and motor vehicle and parts stores, especially auto dealers. The weakness in these industries is consistent with a consumer spending slowdown, perhaps because of higher energy costs, and the housing sector slowdown, which is feeling the effects of higher interest rates.

Unemployment lower in 2006

The state's unemployment rate increased by 0.1 percentage point, to 5.0 percent in May. Civilian employment rose 42,700, which wasn't enough to counterbalance a 16,000-person increase in unemployment. California's unemployment rate averaged 4.9 percent during the first five months of 2006. It averaged 5.6 percent during the same months of 2005.

Building Activity

Home building slows

More signs have come to light that the long-anticipated slowdown in California's housing sector is taking hold. Existing home sales softened statewide in May, and although existing home prices held up, the pace of price gains continued to trend lower. Residential construction permits, while up slightly in May, remained well below year-ago levels. On the plus side, commercial construction took up some of the slack with robust growth, particularly office building.

Home construction permitting picked up in May as the heavy spring rain let up, but was still much slower than the pace set a year earlier. Permit issuances for home building reached a seasonally adjusted annual rate of 173,000 units in May. While this is a 2-percent improvement from April, it was a 21-percent drop from May 2005. Both single and multi-family sectors improved in May, but both slowed significantly from a year earlier.

For the first five months of 2006, home construction permitting was off 12.6 percent from the same months of 2005. Single-family permitting fell almost 19 percent compared to the first five months of 2005, while multi-family increased 6.4 percent.

Healthy business construction throughout the state

Nonresidential construction permitting bounced back in May after slowing in April. Business construction rose over 34 percent from May 2005, lead by a jump in parking garage construction and gains in industrial building activity.

For the first five months of 2006, commercial building activity was up nearly 25 percent from the same months of 2005, and the growth was fairly widespread throughout the state. Among major metropolitan areas, the fastest annual growth in percentage terms was in the Santa Ana-Anaheim-Irvine MSA (Orange County), where a major acceleration of office construction more than doubled the pace of overall commercial construction. Very strong growth was also recorded in the Riverside-San Bernardino and San Francisco-San Mateo-Redwood City MSAs. Only the Ventura and Sacramento regions experienced slowdowns.

Real Estate

The housing market cools

The pace of existing home sales slid for the second consecutive month in May, falling to a seasonally adjusted annual rate of 488,260 units—21 percent below the year-ago pace. Home sales during the first four months of 2006 were down over 19 percent from the same months of 2005. Home sales in May were off 25 percent from the latest peak in September 2005.

The slowdown in home sales occurred throughout California. According to the California Association of Realtors, sales in all major regions of the state were down significantly from year-ago levels. The pace of home sales slowed the most dramatically along the central coast and in the Sacramento area with Santa Barbara County sales down over 34 percent from a year ago; San Luis Obispo, 30 percent; Monterey County, 32 percent; and the Sacramento region, 33 percent. Southern California experienced a less dramatic slowdown. Sales in the Los Angeles region were down 11.6 percent in May.

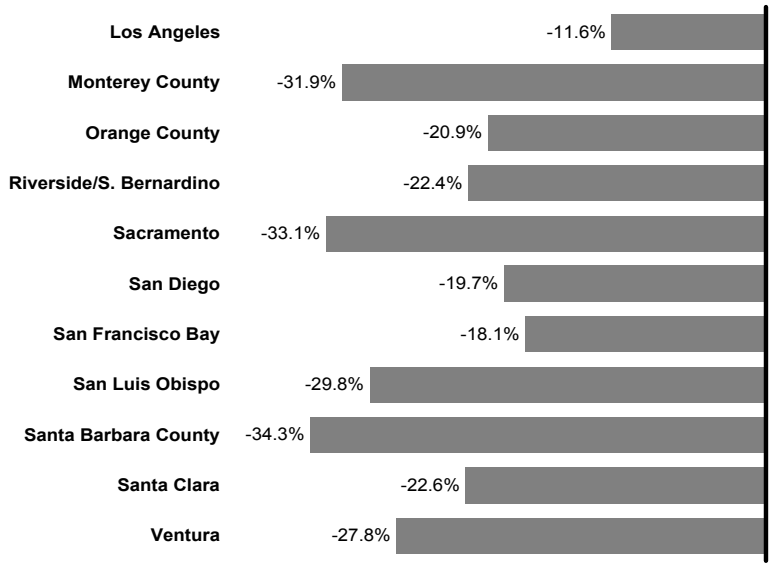
Despite weakening sales, California home prices held up during the first five months of 2006. The median price of existing single-family homes sold in May was $564,430—up 2.9 percent from the end of 2005. This price is still within the $540,000-to-$570,000 range that it has been in since June 2005. The May median price was 8.0 percent higher than a year ago—the first below-double-digit annual gain since May 2001.

Home price stability varied throughout California in May. Prices were up over the year in the Los Angeles and Riverside/San Bernardino regions by 13.5 percent and 8.8 percent, respectively. The San Francisco Bay area, including the Silicon Valley, enjoyed more modest appreciation. In contrast, home prices fell in Santa Barbara County (-9.3 percent), Palm Springs (-3.5 percent), and Santa Cruz County (-0.3 percent).

FIGURE 2

Home Sales Slow Statewide

Percent Change in Home Sales May 2006 vs. May 2005



Source: California Association of Realtors

WEATHER WATCH

California economic prognosticators have been on the lookout for signs that the slowdown in the state's housing markets is weakening job growth. A wetter-than-usual spring frustrated this vigil. California had back-to-back employment losses in March and April of 2006 while experiencing a sharp increase in rainfall. But was the rain responsible for the job losses or the housing slowdown?

On the surface, it would seem that the rain weakened job growth. Before March, the state gained jobs for nine consecutive months (and in 13 out of the previous 14), adding 26,000 jobs each month on average. Construction employment accounted for an outsized share of these gains—4,400 on average, or 17 percent. In March and April California was drenched with more than twice its historical average amount of rain. The string of job-gains was broken with the state losing over 18,000 jobs during those two months and construction bearing the brunt of it.

If rain was the principal cause of these losses, a resumption of job growth would be expected thereafter, possibly with a modest bump as construction companies attempted to make up for lost time. It is also possible that the unexpected rains masked a slowdown that was already taking hold.

Regional Climate Data

California rainfall information is collected and disseminated by the California Department of Water Resources' California Data Exchange Center (CDEC) and the National Weather Service's California-Nevada River Forecast Center. Rainfall and other weather data are principally collected for flood forecasting, hydroelectric generation management, and irrigation and industrial water supply management.

Rainfall readings are collected from 182 stations scattered throughout California. The stations are grouped into ten hydrologic regions which encompass the entire state and correspond to major water sources. The CDEC publishes a California Monthly Climate Summary which includes precipitation and other climate data for each region.

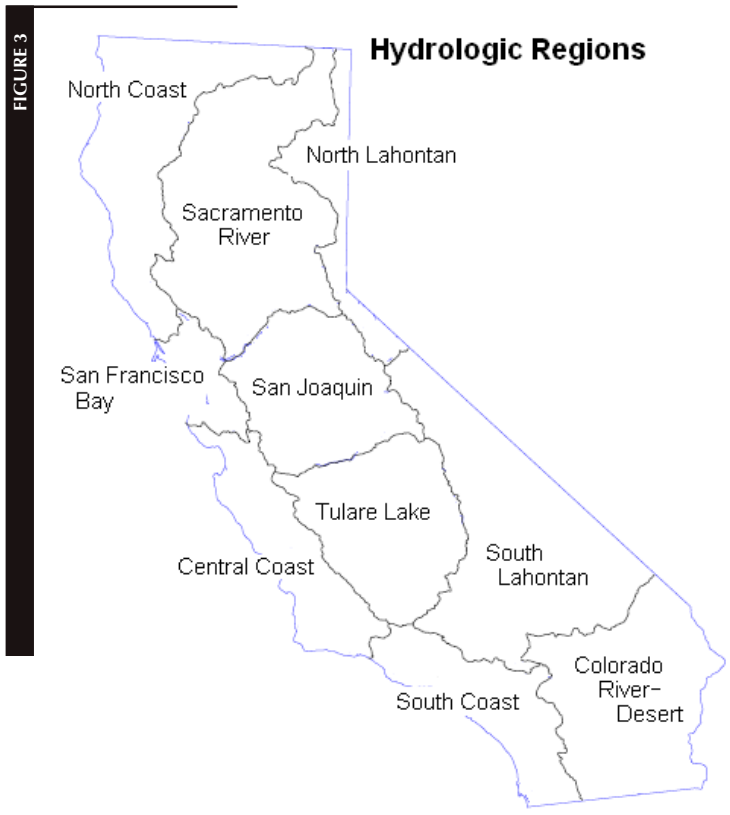
These regions, however, do not match geographic identities such as counties and metropolitan districts used for regional employment estimates. Hydrologic regions are large enough to encompass several counties and metropolitan areas. They often also divide employment regions. Los Angeles County, for instance, straddles the South Coast and South Lahontan hydrologic regions. Nonetheless, this data provides a useful indicator of the weather conditions affecting the state's major metropolitan areas.

A Wet Spring

Based on the climate reports, March and April were extraordinarily wet months—California received approximately twice the historical average precipitation. In March, many areas set records for the number of days with rain. California received 80 percent more rain than average in March and a whopping 152 percent more in April. Things settled down considerably in May, but the state still received 22 percent more rain than its historical average.

While nearly all of the state received more rainfall than normal, the northern part of the state was wetter than the south. For Northern California, April 2006 was the second wettest month on record. In the San Joaquin Valley, excessive rain led to serious

FIGURE 3



concerns about flooding. The San Francisco Bay region received nearly three times its normal amount of rain over the course of March and April. The Sacramento River region received 153 percent more rain than usual. The South Coast Region, which encompasses Ventura and Orange Counties, much of Los Angeles County, and eastern portions of San Bernardino, Riverside, and San Diego counties, receive just 15 percent more than average rainfall in March and 76 percent more in April.

Construction Trends

Comparing the pace of building activity to these rain patterns should give us an idea about underlying home building trends. The best indicator of current building activity is employment in the construction industry. Statewide, construction employment expanded during eight of the nine months leading up to March 2006, adding 4,378 jobs each month on average. Employment then dropped in both March and April, losing 9,900 and 7,400 respectively. Job growth resumed in May, when 3,700 jobs were added.

FIGURE 4

Precipitation in California Hydrologic Regions

	Percent of Historic Average		
	March 2006	April 2006	Average
Southern California			
South Coast	115	176	146
South Lahontan	111	208	160
Colorado River	40	89	65
Cental Coast			
Central Coast	195	319	257
San Francisco Bay			
San Francisco Bay	277	308	293
Central Valley			
San Joaquin River	205	319	262
Tulare Lake	202	293	248
Northern Califoria			
North Coast	183	183	183
Sacramento River	201	305	253
North Lahontan	130	268	199
Statewide	180	252	216

Source: California Data Exchange Center, California Department of Water Resources

A Slowdown Already in Progress?

Evidence indicates, however, that building activity was slowing before the weather turned. Construction employment growth decelerated in February—to 6.6 percent on a year-over-year basis from 8.8 percent in January—even though rainfall was relatively light (25 percent below normal). This pattern predominates the regional data. Construction employment growth slowed in five of California's eight major metropolitan areas in February despite lighter-than-normal rainfall.

There were similar inconsistencies in March. In both the Riverside-San Bernardino-Ontario and San Diego-Carlsbad-San Marcos metropolitan areas, construction job growth slowed despite receiving below-average rainfall.

No such discrepancies occurred in April. The rain was heavier and was far above normal in all areas. Construction job growth slowed dramatically across the state.

No Catch-up?

Home builders didn't appear to play catch-up in May to make up for production lost in March and April. The rains let up, even though May was still wet by historical standards—rainfall was 22 percent above average statewide. Construction employment rose in May, but at a very tepid pace. Only 3,700 jobs were created, which was much less than the 4,400 monthly average job gain during the nine months leading up to March 2006. Total construction employment was up only 2.9 percent from a year earlier, which, besides April, was the weakest pace since June 2003. Rainfall slowed to normal levels in May in four metropolitan areas. However, construction employment growth returned to its pre-storm pace in only two of them.

Another telling point is the contrast between residential and nonresidential permitting. The issuance of building permits may be a less accurate gauge of the effects of weather since it reflects the anticipation of future production. However, the weather should have had a similar impact on both sectors. In this case, there were noticeable differences. Both sectors achieved healthy year-over-year gains in February, 9.1 percent growth in residential units and 26.2 percent growth of nonresidential value. Home construction permitting slowed (both by unit and dollar value) during March, April, and May. The value of nonresidential permitting slowed only in April (down 12.1 percent) and then rebounded sharply in May (up 25.3 percent). It appears that, in contrast to business construction, there was no evidence of an attempt to make up for lost time in May.

Conclusion

While abnormally rainy weather complicated the picture, it looks as though California's housing markets are cooling off. Construction job growth was slowing before the rains picked up and home building activity did not snap back once mild weather returned. The contribution of the state's housing sector to economic growth is clearly moderating.

FIGURE 5

Spring 2006 Precipitation and Construction Employment

	Jan 2006	Feb	Mar	Apr	May
Los Angeles-Long Beach-Glendale Division					
Construction Job Growth (Yr-Yr)*	9.8%	7.2%	6.4%	4.3%	3.3%
% of Historic Avg Precip**	68	57	113	192	194
Oakland-Fremont-Hayward Division					
Construction Job Growth (Yr-Yr)*	12.7%	13.2%	11.7%	10.4%	11.4%
% of Historic Avg Precip**	113	78	241	314	105
Santa Ana-Anaheim-Irvine Division (Orange County)					
Construction Job Growth (Yr-Yr)*	9.8%	7.8%	7.0%	3.1%	2.6%
% of Historic Avg Precip	45	59	115	176	349
Riverside-San Bernardino-Ontario MSA					
Construction Job Growth (Yr-Yr)*	10.6%	7.6%	6.5%	3.2%	3.5%
% of Historic Avg Precip**	49	41	89	158	179
Sacramento-Arden Arcade-Roseville MSA					
Construction Job Growth (Yr-Yr)*	5.5%	5.2%	2.0%	0.3%	1.4%
% of Historic Avg Precip**	111	77	203	312	104
San Diego-Carlsbad-San Marcos MSA					
Construction Job Growth (Yr-Yr)*	9.5%	7.2%	5.4%	4.6%	4.7%
% of Historic Avg Precip	28	34	78	133	250
San Francisco-San Mateo-Redwood City Division					
Construction Job Growth (Yr-Yr)*	4.8%	5.1%	4.3%	3.7%	4.4%
% of Historic Avg Precip	102	89	277	308	72
San Jose-Sunnyvale-Santa Clara MSA					
Construction Job Growth (Yr-Yr)*	4.6%	5.5%	3.1%	0.7%	1.4%
% of Historic Avg Precip	102	89	277	308	72
California					
Construction Job Growth (Yr-Yr)*	8.8%	6.6%	4.7%	2.5%	2.9%
% of Historic Avg Precip**	115	75	180	252	122

* Year-over-year percent growth in not seasonally adjusted construction employment.
** Average of hydrologic regions contiguous to area.

Select Indicators

	2005	2006				Year-Over
	May	Feb	Mar	Apr	May	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,707	16,816	16,874	16,865	16,908	1.2%
Unemployment (000)	958	879	848	870	886	-7.4%
Unemployment rate	5.4	5.0	4.8	4.9	5.0	--
Nonagricultural wage and salary employment (000) a/	14,730.0	14,967.1	14,953.7	14,948.9	14,963.7	1.6%
Goods-producing industries	2,429.7	2,465.1	2,453.8	2,449.0	2,454.3	1.0%
Natural resources and mining	23.0	24.1	24.1	24.1	23.7	3.0%
Construction	896.1	935.5	925.6	918.2	921.9	2.9%
Manufacturing	1,510.6	1,505.5	1,504.1	1,506.7	1,508.7	-0.1%
Service-providing industries	12,300.3	12,502.0	12,499.9	12,499.9	12,509.4	1.7%
Trade, transportation, and utilities	2,805.1	2,842.9	2,837.7	2,832.9	2,833.5	1.0%
Information	470.1	470.0	472.9	465.3	468.2	-0.4%
Financial activities	922.7	940.3	941.5	941.3	941.8	2.1%
Professional and business services	2,133.1	2,195.7	2,192.9	2,197.2	2,196.3	3.0%
Educational and health services	1,582.3	1,603.7	1,602.7	1,606.4	1,611.7	1.9%
Leisure and hospitality	1,469.2	1,504.5	1,509.2	1,511.5	1,508.3	2.7%
Other services	508.7	517.6	516.2	517.0	518.6	1.9%
Government	2,409.1	2,427.3	2,426.8	2,428.3	2,431.0	0.9%
High-technology industries b/	*871.1*	*871.5*	*870.7*	*870.3*	*871.3*	*0.0%*
Computer and electronic products manufacturing	*322.5*	*319.5*	*319.8*	*319.2*	*319.2*	*-1.0%*
Aerospace products and parts manufacturing	*72.3*	*72.9*	*72.7*	*72.6*	*72.8*	*0.7%*
Software publishers	*41.4*	*41.4*	*41.6*	*41.5*	*41.4*	*0.0%*
Telecommunications	*115.8*	*112.9*	*111.0*	*110.6*	*110.3*	*-4.7%*
Internet service providers	*49.0*	*50.3*	*50.6*	*50.9*	*51.2*	*4.5%*
Computer systems design	*172.9*	*176.6*	*176.8*	*177.0*	*177.6*	*2.7%*
Scientific research and development	*97.2*	*97.9*	*98.2*	*98.5*	*98.8*	*1.6%*
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	39.9	40.1	40.1	40.1	40.3	*1.0%*
Average weekly earnings	$625.63	$635.18	$634.78	$635.59	$639.56	*2.2%*
Average hourly earnings	$15.68	$15.84	$15.83	$15.85	$15.87	*1.2%*
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	207.8	n.a.	210.5	n.a.	--
San Francisco CMSA	n.a.	207.1	n.a.	208.9	n.a.	--
Los Angeles CMSA	201.5	207.5	208.5	210.5	212.4	*5.4%*
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	200.4	n.a.	203.2	n.a.	--
San Francisco CMSA	n.a.	202.5	n.a.	204.9	n.a.	--
Los Angeles CMSA	194.6	199.9	200.8	202.9	205.0	*5.3%*
CONSTRUCTION						
Private residential housing units authorized (000) c/	219	223	192	170	173	*-21.0%*
Single units	160	134	122	122	124	*-22.2%*
Multiple units	59	89	70	48	49	*-17.7%*
Residential building authorized valuation (millions) d/	47,522	$49,016	$42,136	$39,271	$40,875	*-14.0%*
Nonresidential building authorized valuation (millions) d/	17,164	$20,911	$22,814	$15,974	$21,504	*25.3%*
Nonresidential building authorized valuation (millions) e/	1,536	1,445	1,732	1,478	1,916	*24.7%*
Commercial	512	424	619	583	775	*51.4%*
Industrial	119	113	119	70	193	*61.7%*
Other	336	286	341	268	308	*-8.4%*
Alterations and additions	569	622	653	557	640	*12.5%*
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	147,783	152,515	151,400	n.a.	n.a.	--

a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).
b/ Not seasonally adjusted
c/ Seasonally adjusted at annual rate
d/ Seasonally adjusted
e/ Not seasonally adjusted
n.a. Not available

Select Indicators *Continued*

VACANCY RATES FOR FIRST QUARTER 2006
(Percent)

	Office Downtown		Office Suburban		Office Metropolitan		Industrial	
	1Q06	1Q05	1Q06	1Q05	1Q06	1Q05	1Q06	1Q05
Northern and Central California:								
Oakland	15.0	14.2	13.1	15.8	13.5	15.5	n.a.	n.a.
Sacramento	13.3	13.3	13.4	13.8	13.4	13.7	11.0	14.4
San Francisco	11.5	13.6	17.3	22.5	13.3	16.4	11.6	14.0
San Jose	21.8	20.3	12.8	16.3	14.8	17.2	n.a.	n.a.
Southern California:								
Los Angeles Metro	14.6	15.5	10.3	12.4	11.0	12.9	7.2	7.6
Orange County	n.a.	n.a.	6.1	9.3	6.1	9.3	7.5	7.6
San Diego	10.1	8.6	8.9	10.0	9.1	9.7	9.4	10.7
Ventura County	n.a.	n.a.	10.1	8.7	10.1	8.7	n.a.	n.a.
National Average	12.3	13.8	14.3	16.3	13.6	15.4	9.9	10.7

SALES OF EXISTING SINGLE-FAMILY HOMES

		Median Price	Units (SAAR)
2002	Jan	$287,076	584,251
	Feb	294,865	610,379
	Mar	305,838	586,225
	Apr	317,121	643,026
	May	319,591	620,301
	Jun	324,638	533,840
	Jul	321,903	540,797
	Aug	334,273	562,783
	Sep	322,452	493,803
	Oct	324,672	579,240
	Nov	328,440	542,121
	Dec	338,836	573,786
2003	Jan	$336,212	584,600
	Feb	326,645	566,890
	Mar	351,134	567,609
	Apr	364,040	583,333
	May	367,627	572,265
	Jun	374,535	572,128
	Jul	381,938	595,858
	Aug	406,142	645,721
	Sep	384,686	631,881
	Oct	379,119	636,688
	Nov	384,472	627,190
	Dec	401,724	637,078
2004	Jan	$404,463	615,659
	Feb	391,550	589,220
	Mar	428,060	590,220
	Apr	452,680	640,710
	May	463,320	632,380
	Jun	468,050	633,660
	Jul	462,145	639,910
	Aug	473,520	591,150
	Sep	463,630	626,210
	Oct	459,530	639,571
	Nov	471,980	652,340
	Dec	474,270	645,860
2005	Jan	$484,580	659,410
	Feb	470,920	608,160
	Mar	496,550	634,700
	Apr	509,630	658,060
	May	522,590	618,920
	Jun	543,120	656,310
	Jul	540,900	647,910
	Aug	568,890	632,240
	Sep	543,980	650,780
	Oct	538,770	621,530
	Nov	548,680	579,560
	Dec	548,640	531,910
2006	Jan	$551,300	500,470
	Feb	535,470	513,745
	Mar	561,350	539,170
	Apr	562,380	516,960
	May	564,430	488,260

FOREIGN TRADE THROUGH CALIFORNIA PORTS

		Exports ($ millions)	Imports ($ millions)
2002	Jan	$8,688	$15,517
	Feb	8,429	15,768
	Mar	9,945	16,318
	Apr	9,274	17,807
	May	9,814	17,568
	Jun	9,984	18,988
	Jul	9,335	18,998
	Aug	9,948	19,686
	Sep	9,286	19,478
	Oct	8,794	18,753
	Nov	9,046	20,522
	Dec	8,797	19,060
2003	Jan	$8,408	$17,588
	Feb	8,423	16,359
	Mar	9,784	18,789
	Apr	9,158	19,151
	May	9,090	18,537
	Jun	9,743	19,774
	Jul	9,604	20,743
	Aug	9,626	19,846
	Sep	8,968	21,060
	Oct	10,341	23,021
	Nov	9,969	21,320
	Dec	10,437	20,528
2004	Jan	$9,062	$19,996
	Feb	9,536	18,011
	Mar	11,420	22,589
	Apr	10,249	21,722
	May	10,460	21,760
	Jun	10,481	23,971
	Jul	10,388	24,162
	Aug	10,118	24,127
	Sep	10,446	23,974
	Oct	10,460	25,279
	Nov	9,792	25,769
	Dec	10,628	22,863
2005	Jan	$9,405	$22,776
	Feb	9,756	21,738
	Mar	11,390	23,735
	Apr	10,356	24,337
	May	10,882	24,774
	Jun	11,108	26,153
	Jul	10,828	26,452
	Aug	11,166	26,452
	Sep	10,825	28,012
	Oct	11,371	28,847
	Nov	11,194	27,030
	Dec	11,709	26,024
2006	Jan	$10,848	$25,555
	Feb	10,791	23,004
	Mar	13,336	27,722
	Apr	11,991	27,005
	May	n.a.	n.a.

DOD PRIME CONTRACTS a/

	$ millions	% of U.S.
1993-94	22,573	20.5%
1994-95	18,277	16.8%
1995-96	18,230	16.7%
1996-97	18,477	17.3%
1997-98	17,401	15.9%
1998-99	17,372	15.1%
1999-00	18,100	14.7%
2000-01	19,939	14.7%
2001-02	23,816	15.0%
2002-03	28,681	15.0%
2003-04	27,875	13.7%
2004-05	31,065	13.1%

a/ U.S. fiscal year: October through September

n.a. Not available

Leading Indicators/[a]

		Manufacturing		Unemployment Insurance	New Business	Housing Unit Authorizations
		Overtime Hours	Average Weekly Hours	Initial Claims	Incorporations	(Thousands)
2001	Jan	4.1	39.9	47,433	7,529	205.3
	Feb	4.2	40.2	51,754	6,424	136.7
	Mar	4.0	39.9	53,976	6,552	143.7
	Apr	3.5	39.5	52,045	6,227	153.3
	May	3.8	39.6	56,344	6,759	152.1
	Jun	3.8	39.3	54,585	6,423	147.4
	Jul	3.7	39.5	55,086	6,536	129.3
	Aug	3.9	39.6	57,220	7,277	162.6
	Sep	3.9	39.7	59,321	5,928	113.5
	Oct	3.8	39.4	62,955	7,048	141.2
	Nov	3.6	39.0	58,250	7,299	139.3
	Dec	3.7	39.4	49,212	6,900	161.4
2002	Jan	3.8	39.0	67,463	7,284	160.6
	Feb	3.9	39.4	56,462	6,846	163.3
	Mar	4.1	39.9	61,127	7,329	143.1
	Apr	4.1	39.9	62,452	7,320	163.4
	May	4.1	39.6	61,029	8,550	157.0
	Jun	4.1	39.9	58,896	6,972	149.1
	Jul	3.9	39.3	61,909	7,279	179.3
	Aug	4.0	39.8	61,152	7,595	169.3
	Sep	3.9	39.9	60,528	7,348	182.1
	Oct	3.9	39.6	61,567	8,192	206.0
	Nov	3.8	39.6	59,053	7,516	187.2
	Dec	3.9	39.8	60,417	7,682	150.2
2003	Jan	3.9	39.6	61,430	7,475	198.2
	Feb	4.0	39.8	59,637	8,658	253.2
	Mar	3.7	39.7	59,723	7,138	180.1
	Apr	3.7	39.7	63,614	7,813	189.7
	May	3.7	39.8	61,106	7,769	210.0
	Jun	3.7	39.9	60,771	7,834	175.8
	Jul	3.8	39.5	60,213	8,087	196.8
	Aug	3.8	39.5	57,664	7,094	183.3
	Sep	3.9	39.5	57,320	8,353	189.4
	Oct	3.9	39.6	58,650	8,197	213.2
	Nov	4.0	40.1	54,900	7,465	185.4
	Dec	3.9	39.6	52,281	8,288	192.2
2004	Jan	4.1	40.0	51,052	8,216	204.0
	Feb	4.1	40.2	51,195	8,678	209.6
	Mar	4.2	40.2	49,142	8,397	223.2
	Apr	4.4	40.0	49,413	8,333	208.6
	May	4.5	40.3	46,621	8,135	201.5
	Jun	4.2	39.9	49,874	8,807	219.9
	Jul	4.4	40.2	48,251	8,473	200.1
	Aug	4.2	40.1	47,573	8,391	216.8
	Sep	4.0	39.3	46,799	8,648	221.2
	Oct	4.3	39.8	44,947	8,087	178.4
	Nov	4.3	39.8	47,368	9,054	250.0
	Dec	4.4	39.8	49,438	9,020	221.1
2005	Jan	4.5	40.3	50,966	6,002	192.9
	Feb	4.5	40.0	46,024	9,073	204.6
	Mar	4.4	40.0	45,384	9,204	227.3
	Apr	4.5	40.1	44,498	9,300	209.5
	May	4.4	39.9	43,494	9,641	218.9
	Jun	4.3	39.6	42,711	9,263	231.6
	Jul	4.3	39.9	40,706	8,877	227.1
	Aug	4.6	39.9	40,975	9,374	208.6
	Sep	4.4	40.0	40,597	8,995	277.2
	Oct	4.6	40.5	37,628	8,621	156.9
	Nov	4.2	39.7	39,949	9,174	201.5
	Dec	4.2	39.3	42,641	9,104	162.1
2006	Jan	4.2	40.5	42,846	9,211	175.1
	Feb	4.4	40.4	38,238	8,771	223.2
	Mar	4.2	40.2	42,667	9,490	191.8
	Apr	4.2	40.4	43,675	8,194	169.7
	May	4.2	40.3	42,994	9,650	172.9

a/ Seasonally adjusted by the California Department of Finance.

Coincident Indicators/[a]

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
2003	Jan	14,437	1,590	6.9	520
	Feb	14,421	1,580	6.9	522
	Mar	14,398	1,572	6.8	521
	Apr	14,392	1,564	6.9	567
	May	14,387	1,556	6.9	543
	Jun	14,381	1,549	6.9	550
	Jul	14,359	1,538	6.9	552
	Aug	14,380	1,540	6.9	528
	Sep	14,368	1,540	6.8	525
	Oct	14,407	1,537	6.9	517
	Nov	14,390	1,535	6.8	509
	Dec	14,391	1,535	6.7	503
2004	Jan	14,426	1,537	6.6	457
	Feb	14,444	1,535	6.5	453
	Mar	14,461	1,534	6.5	444
	Apr	14,473	1,537	6.4	438
	May	14,494	1,537	6.4	416
	Jun	14,496	1,533	6.3	449
	Jul	14,569	1,545	6.2	404
	Aug	14,554	1,535	6.1	420
	Sep	14,552	1,530	6.1	416
	Oct	14,619	1,528	6.0	390
	Nov	14,641	1,526	5.9	402
	Dec	14,631	1,520	5.9	398
2005	Jan	14,648	1,524	5.8	406
	Feb	14,685	1,521	5.6	395
	Mar	14,694	1,516	5.5	388
	Apr	14,735	1,516	5.4	368
	May	14,730	1,511	5.4	362
	Jun	14,740	1,508	5.4	386
	Jul	14,792	1,512	5.3	349
	Aug	14,834	1,509	5.2	366
	Sep	14,864	1,507	5.2	332
	Oct	14,890	1,510	5.2	334
	Nov	14,914	1,510	5.1	340
	Dec	14,919	1,511	5.1	317
2006	Jan	14,936	1,505	4.8	349
	Feb	14,967	1,506	5.0	338
	Mar	14,954	1,504	4.8	345
	Apr	14,949	1,507	4.9	351
	May	14,964	1,509	5.0	336

		Personal Income ($ millions)	Total Wages & Salaries ($ millions)	Taxable Sales ($ millions)
2001	Qtr I	$1,142,025	$652,950	$111,989
	Qtr II	1,134,846	647,680	111,275
	Qtr III	1,132,057	641,413	108,517
	Qtr IV	1,132,288	640,383	109,442
2002	Qtr I	$1,141,415	$642,170	$108,528
	Qtr II	1,148,916	642,227	109,986
	Qtr III	1,147,076	639,686	111,384
	Qtr IV	1,153,456	643,855	110,449
2003	Qtr I	$1,160,041	$646,153	$112,286
	Qtr II	1,176,748	655,808	113,415
	Qtr III	1,190,917	664,879	117,636
	Qtr IV	1,209,356	671,184	116,023
2004	Qtr I	$1,229,219	$682,125	$122,428
	Qtr II	1,248,078	690,233	123,851
	Qtr III	1,262,692	700,387	125,590
	Qtr IV	1,309,235	723,323	127,372
2005	Qtr I	$1,313,380	$728,138	$128,341
	Qtr II	1,329,055	734,113	133,482
	Qtr III	1,352,624	753,518	n.a.
	Qtr IV	1,371,766	762,869	n.a.

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department

n.a. Not available

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

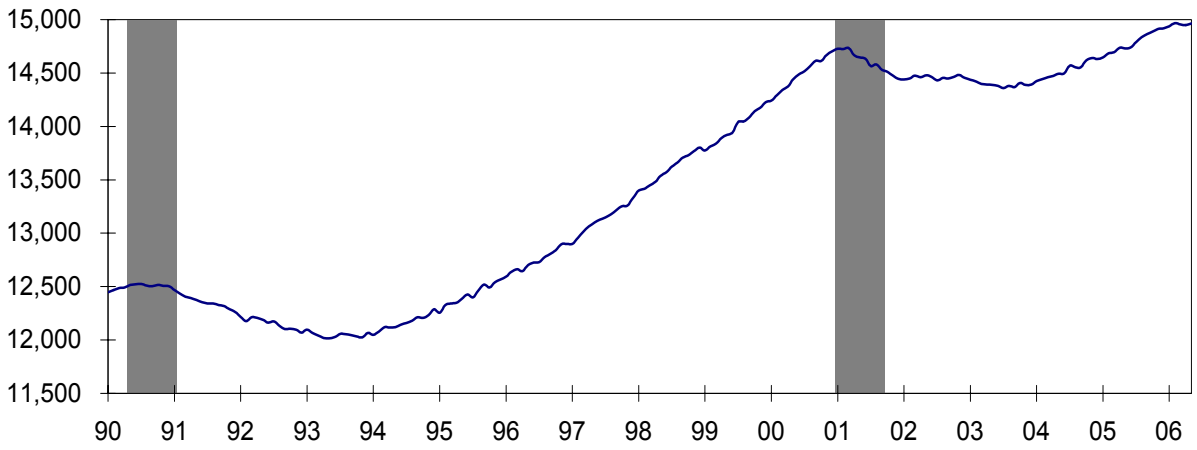
Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

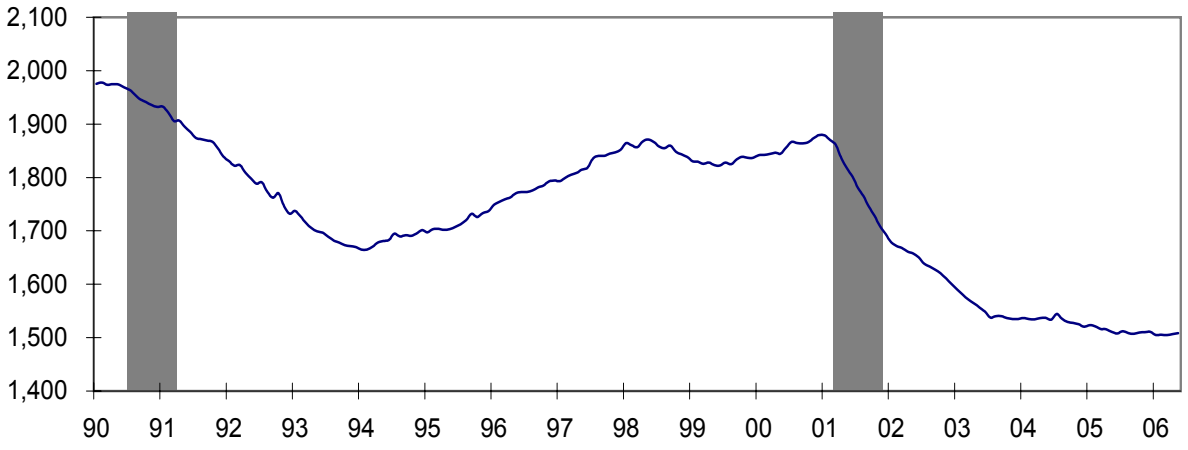
Nonagricultural Employment

(Thousands, Seasonally Adjusted)

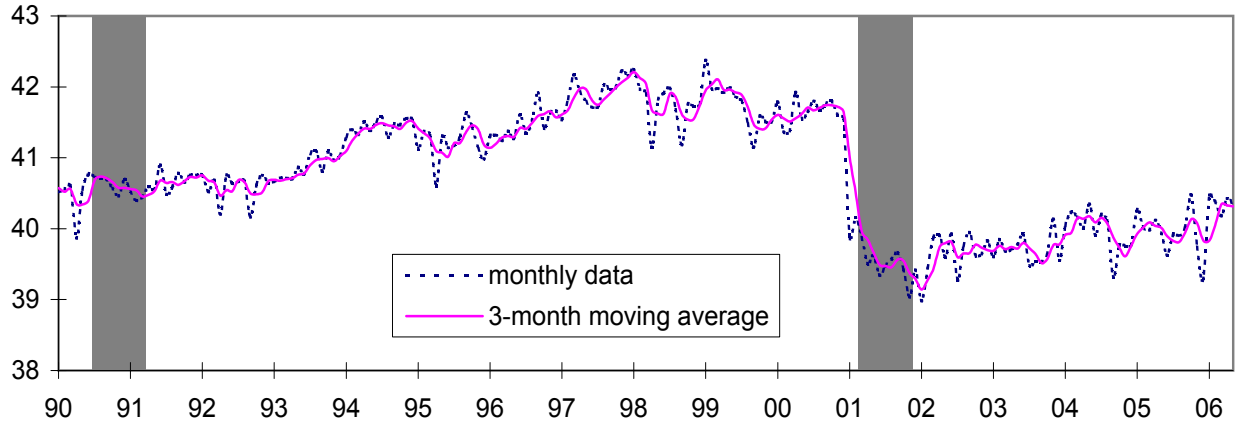


Manufacturing Employment

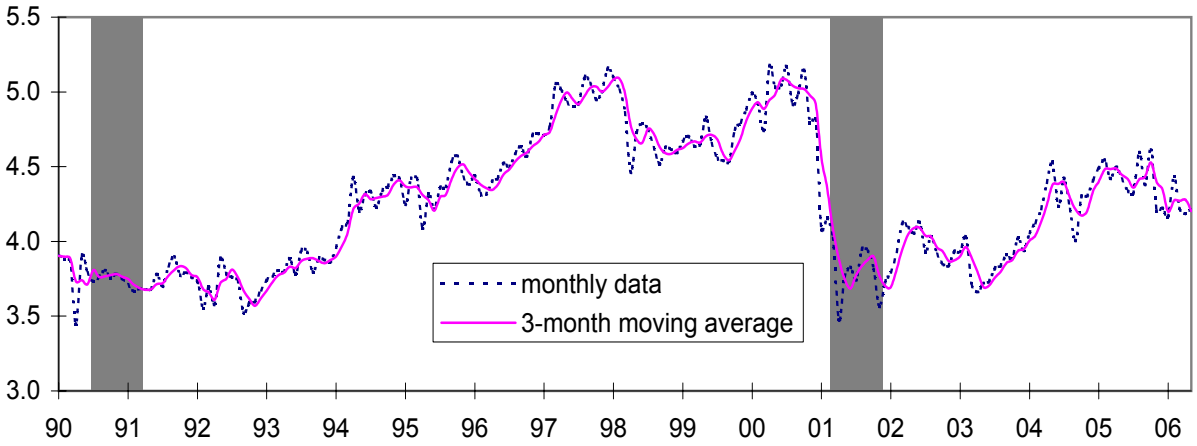
(Thousands, Seasonally Adjusted)



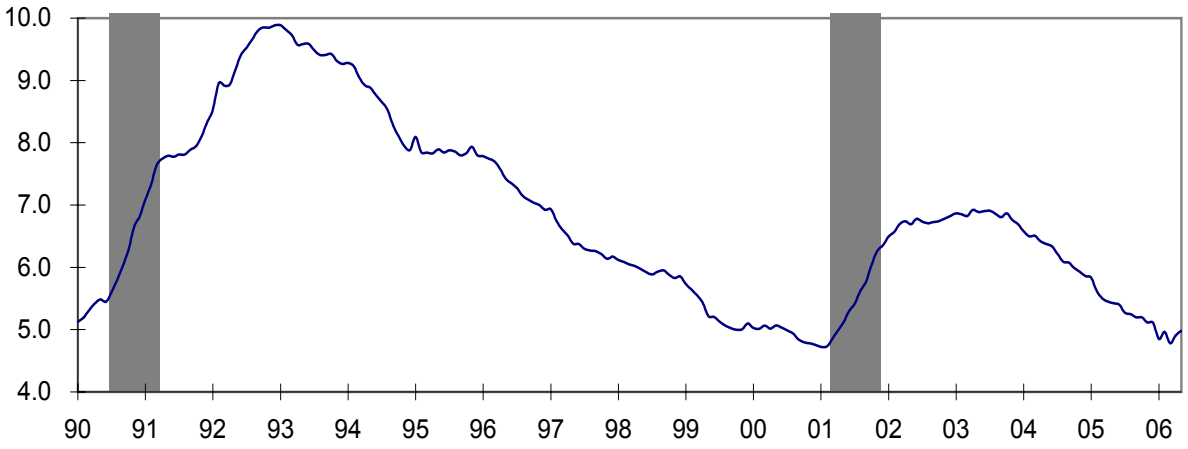
Average Weekly Hours, Manufacturing
(Seasonally Adjusted)



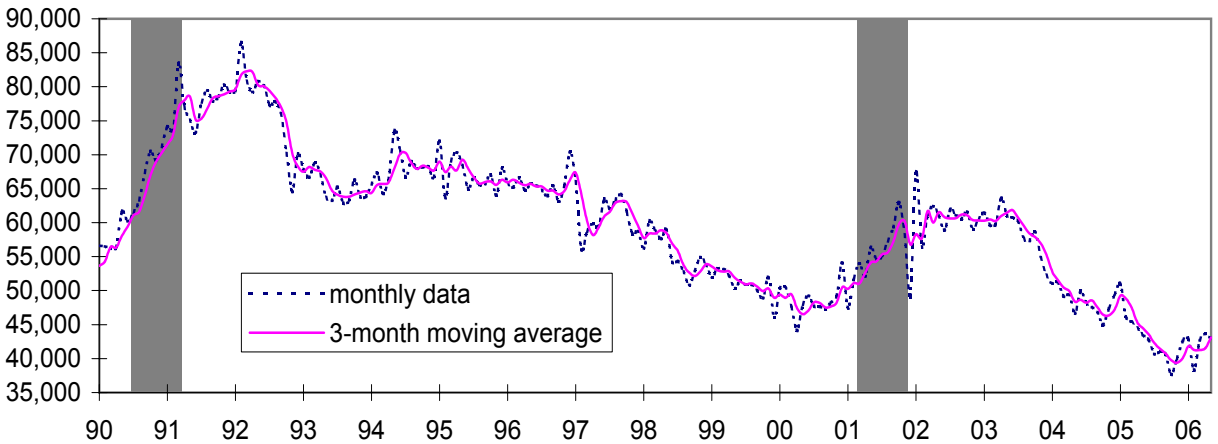
Average Overtime Hours, Manufacturing
(Seasonally Adjusted)



Unemployment Rate
(Percent)

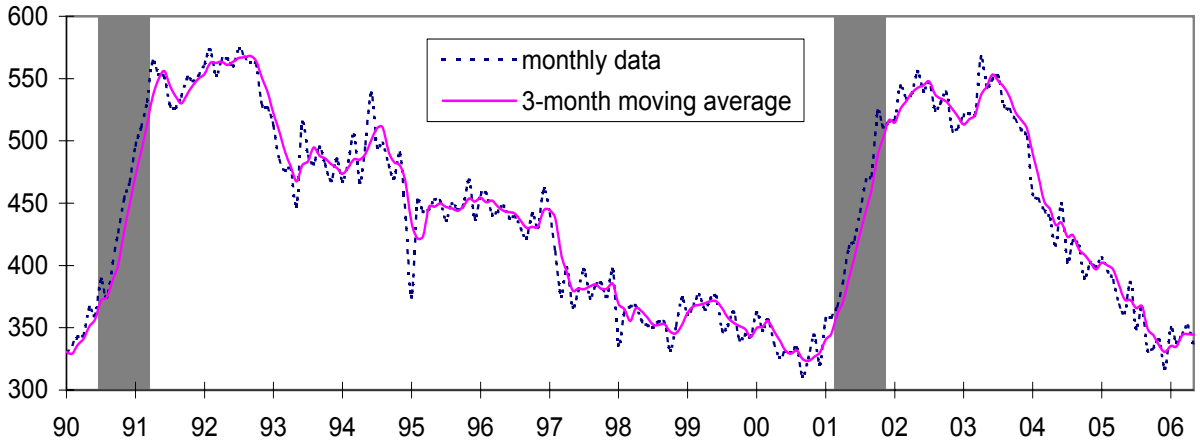


Initial & Transitional Claims for Unemployment Insurance
(Weekly Average, Seasonally Adjusted)



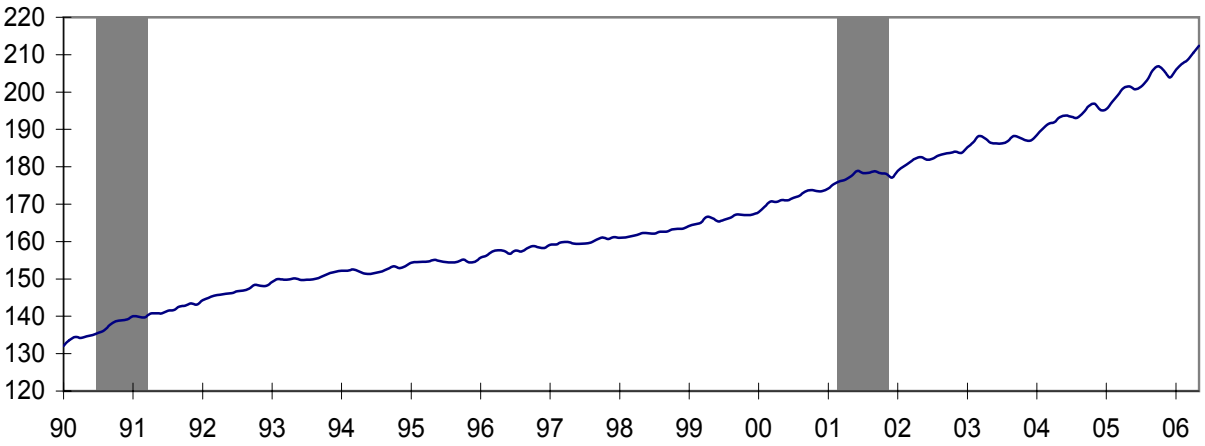
Unemployment, Average Weeks Claimed

(thousands, Seasonally Adjusted)



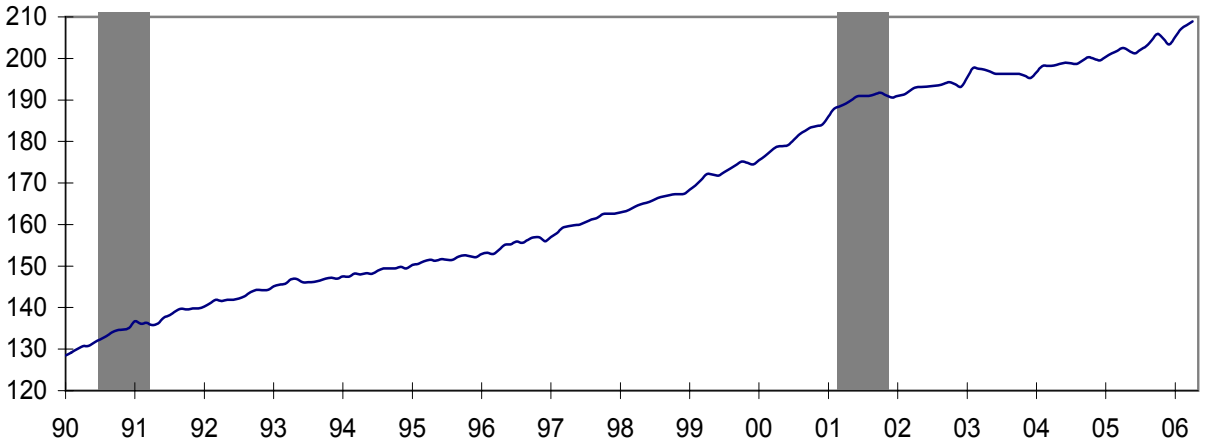
Consumer Price Index, Los Angeles

(1982–84=100)



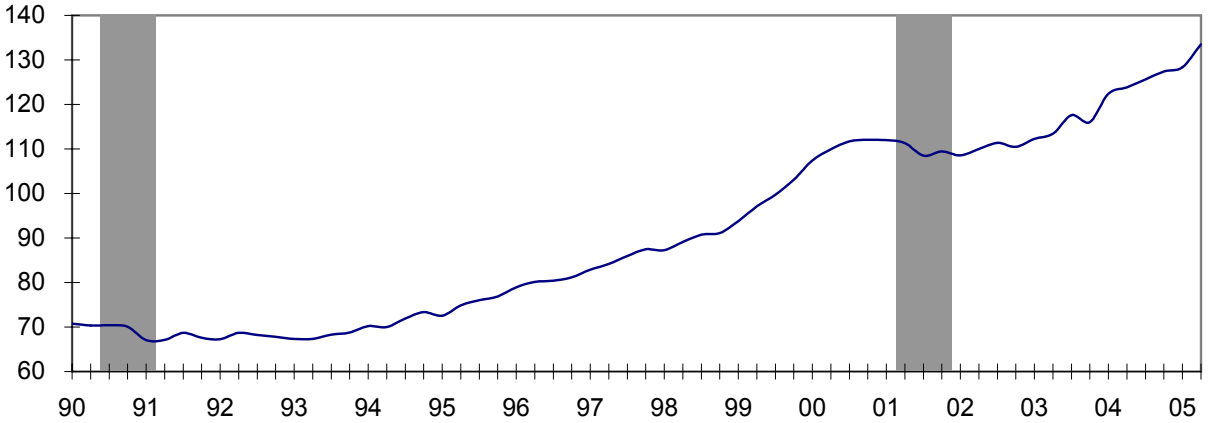
Consumer Price Index, San Francisco

(1982–84=100)



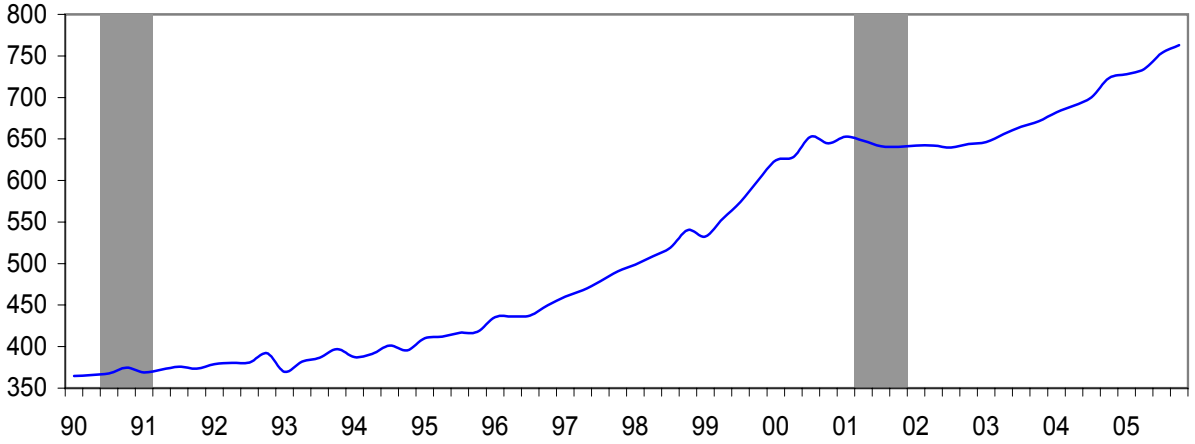
Taxable Sales

(Dollars in billions, Seasonally Adjusted)



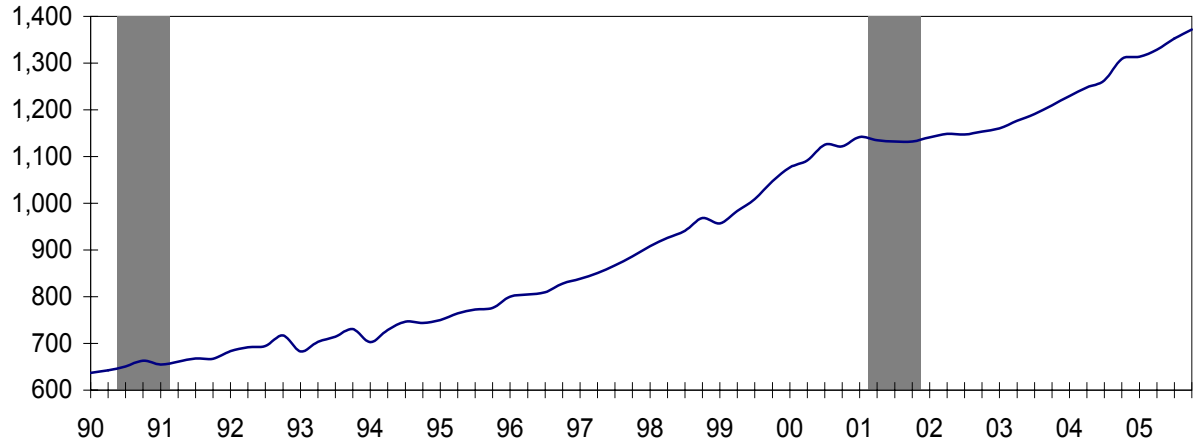
Wages and Salaries

(Dollars in billions, Seasonally Adjusted)



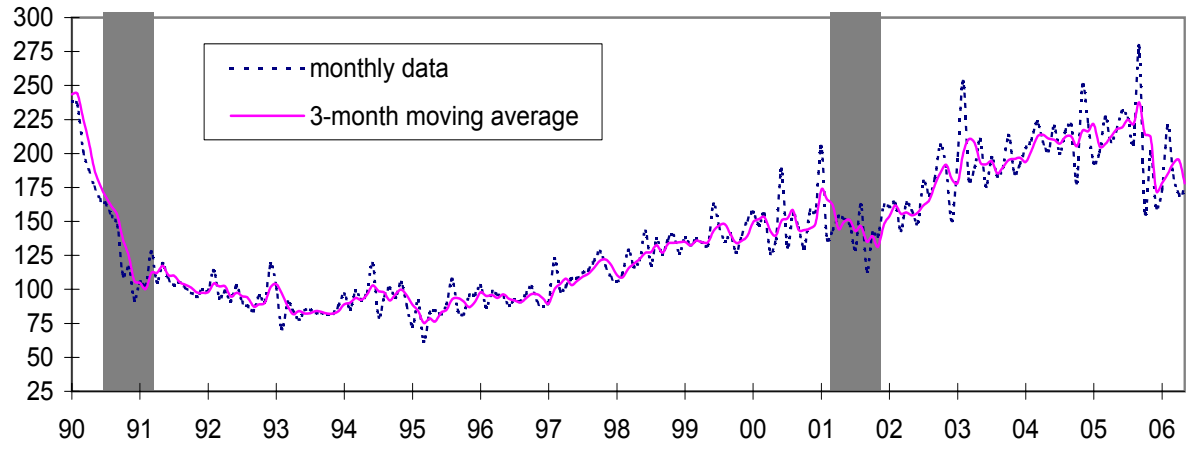
Personal Income

(Dollars in billions, Seasonally Adjusted)



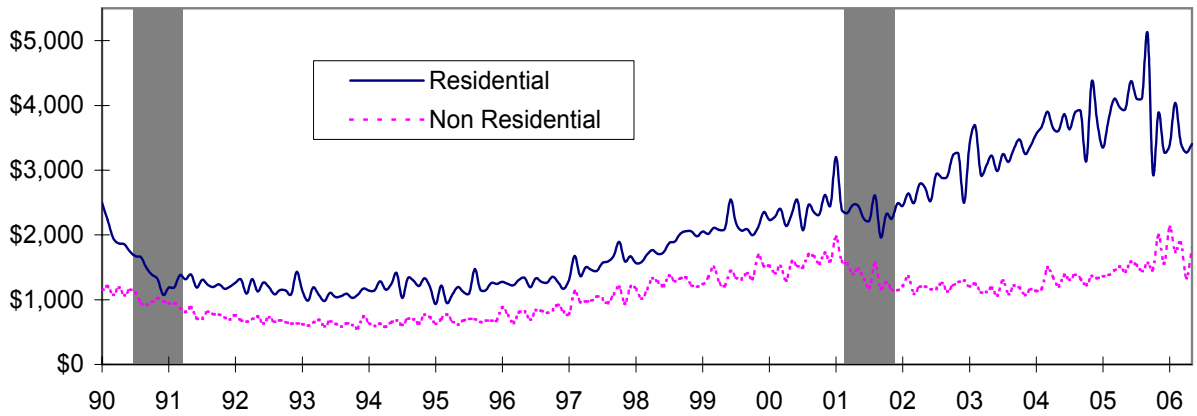
New Housing Units Authorized By Building Permits

(thousands, Seasonally Adjusted at Annual Rate)

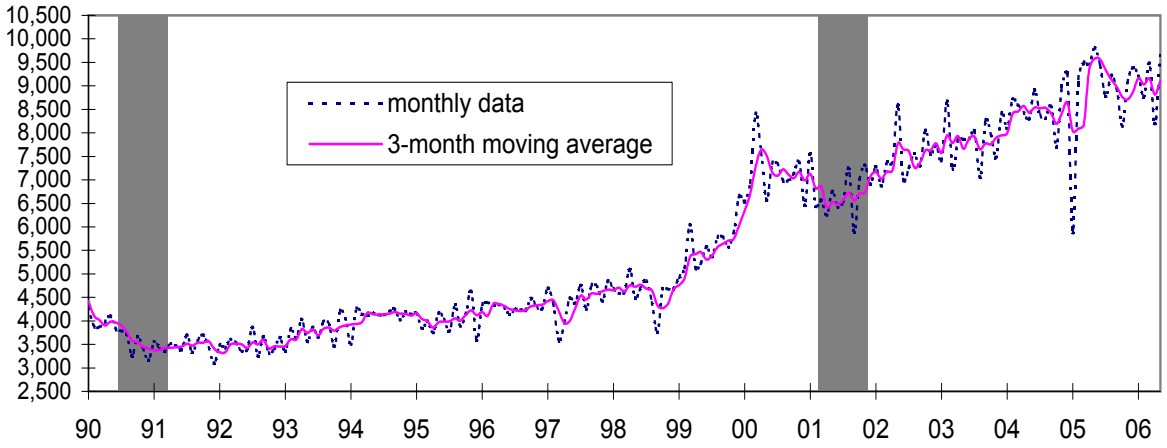


Residential & Nonresidential Building Permit Valuation

(Dollars in millions, Seasonally Adjusted)



New Business Incorporations
(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of events dating back to 1956 is available at the Department's internet home page at: www.dof.ca.gov

2005

January 22-24	Blizzards blanketed large parts of the Northeast.
January 30	Iraq held its first free election in half a century.
February 2	Federal funds rate raised from 2.25 percent to 2.50 percent.
March 22	Federal funds rate raised from 2.50 to 2.75 percent.
March 30	GDP grew at an annual rate of 3.8 percent in the fourth quarter of 2004.
April 28	GDP increased at an annual rate of 3.1 percent in the first quarter of 2005.
May 3	Federal funds rate raised from 2.75 to 3.00 percent
June 29	GDP increased at an upwardly revised 3.8 percent in the first quarter of 2005.
June 30	Federal funds rate raised from 3.00 percent to 3.25 percent.
July 11	Governor Arnold Schwarzenegger signs the 2005-06 state budget bill. Moody's Investor Services and Fitch Ratings upgraded the state's bond ratings.
August 9	Federal funds rate raised from 3.25 percent to 3.50 percent.
August 29	Hurricane Katrina ripped through Louisiana, Mississippi and Alabama causing billions of dollars in damage.
August 31	GDP increased at an annual rate of 3.8 percent in the first quarter and 3.3 percent in the second quarter of 2005.
September 20	Federal funds rate raised from 3.50 percent to 3.75 percent.
October 14	Overall consumer prices rose at the fastest pace in more than 25 years last month.
October 17	The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 goes into effect.
October 24	Hurricane Wilma battered Florida.

November 1	Federal funds rate raised from 3.75 percent to 4.00 percent.
December 13	Federal funds rate raised from 4.00 percent to 4.25 percent.
December 15	CPI posts biggest drop since 1949.
December 21	GDP increased at an annual rate of 4.1 percent in the third quarter of 2005 In the second quarter, GDP increased 3.3 percent.

2006

January 31	Federal funds rate raised from 4.25 percent to 4.50 percent. Alan Greenspan steps down after more than 18 years as chairman of the Federal Reserve. Ben Bernanke was sworn in as the new chairman of the Federal Reserve.
February 17	A total of 38,300 new and resale houses and condos were sold in California last month. That's down 27.5 percent from December and down 9.5 percent from January 2005. Last month's sales count was the lowest since January 2002. The median price paid for a home last month was $452,000. That's down 1.3 percent from December and up 13.0 percent from January 2005. Last month's year-over-year increase was the lowest since a 12.4 percent increase in March 2003 when the median reached $290,000. Prices increased at their fastest rate in June 2004 when the $382,000 median was up 23.2 percent from the same month a year before.
February 28	GDP increased at an annual rate of 1.6 percent in the fourth quarter of 2005, posting the smallest gain in three years.
March 28	Federal funds rate raised from 4.50 percent to 4.75 percent. This is the fifteenth consecutive increase since June 2004 and the first since Ben Bernanke took over as chairman of the Federal Reserve.
May 10	Federal funds rate raised from 4.75 percent to 5.00 percent.
May 17	Standard and Poor's raised California's bond rating to A+ from A. Moody's upgraded California's bond rating to A1 from A2.
June 9	Fitch upgraded California's bond rating to A+ from A.
June 29	GDP increased at an annual rate of 5.6 percent in the first quarter of 2006. It was the strongest quarterly growth in 2 1/2 years. Federal funds rate raised from 5.00 percent to 5.25 percent.
June 30	California Governor Arnold Schwarzenegger signs the 2006-07 state budget bill.